

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U902E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.

Application 10-07-009
(Filed July 6, 2010)

**DECISION GRANTING SAN DIEGO GAS & ELECTRIC COMPANY'S
PETITION FOR MODIFICATION OF DECISION 12-12-004****Summary**

On October 10, 2014, San Diego Gas & Electric Company (SDG&E) filed its "Petition for Modification of Decision No. 12-12-004" (Petition). SDG&E seeks to modify the decision by extending the implementation deadline for the outreach and education activities associated with dynamic pricing for residential and small non-residential electric customers.

Today's decision grants SDG&E's Petition by adding a sentence to Ordering Paragraph 11 of Decision 12-12-004 to extend its outreach and education plan activities to the end of December 31, 2016.

1. Procedural Background

Decision (D.) 12-12-004 adopted a dynamic pricing structure for the residential and small commercial electricity customers of San Diego Gas & Electric Company (SDG&E). This dynamic pricing structure consists of time-varying rates for electric customers, including time-of-day rates. SDG&E was ordered in D.12-12-004 to implement optional time-of-day and critical peak

pricing rates for its small non-residential and residential customers on November 1, 2013. SDG&E was also ordered to implement mandatory time-of-use rates, along with default critical peak pricing rates, for its small non-residential customers in November 2014. However, in Ordering Paragraph (OP) 6 of D.12-12-004, the Commission ordered that the specific rate design for both the residential and non-residential dynamic rate structures adopted in D.12-12-004 would be determined in Application (A.) 11-10-002, which was the cost allocation and rate design phase of SDG&E's 2012 General Rate Case (GRC). The decision in A.11-10-002, D.14-01-002, was issued on January 23, 2014.

To make customers aware of the dynamic pricing structure, the Commission authorized SDG&E to develop an education and outreach plan. SDG&E subsequently submitted its education and outreach plan, which was approved in Advice Letter (AL) 2466-E-B.

D.12-12-004 also authorized SDG&E to establish its Dynamic Pricing Balancing Account (DPBA) to collect funding from its customers up to \$92.7 million. This funding is to cover the costs of implementing the dynamic pricing structure, including customer outreach and education efforts, through 2015.

SDG&E requests that the time frame for the spending of its outreach and education funding, as set forth in D.12-12-004 and implemented in AL 2447-E, be modified. Pursuant to D.12-12-004, SDG&E is currently authorized to use its DPBA funding through the end of 2015. However, due to ongoing efforts regarding residential dynamic pricing in Rulemaking (R.) 12-06-013, SDG&E requests that D.12-12-004 be modified to allow it to use the DPBA funds through the end of 2016.

No responses to the Petition were filed.

2. Discussion

D.12-12-004 authorized SDG&E to recover costs of up to \$92.7 million from its customers through 2015 for the implementation of the dynamic pricing structure and associated activities. This funding and the costs are recorded in SDG&E's DPBA. SDG&E's Petition requests that D.12-12-004 be modified to extend its dynamic pricing implementation schedule to December 31, 2016.

SDG&E requests this modification for two reasons. First, the modification will "allow sufficient time for SDG&E to fully implement each stage of its Commission-approved Outreach and Education Plan, which would otherwise be significantly condensed due to unforeseen regulatory delays."¹ (Petition at 1.) According to SDG&E, this is attributable to the delay in the decision on Pacific Gas and Electric Company (PG&E's) cost allocation and rate design for SDG&E's GRC, which was not issued until January 23, 2014 in D.14-01-002. This made it impossible for SDG&E to implement the time-of-use and critical peak pricing rates for residential customers by November 1, 2013, as directed in D.12-12-004, because those rates had not been approved by the Commission by November 1, 2013 as envisioned by OP 6 of D.12-12-004.

With the issuance of D.14-01-002, the Commission ordered SDG&E to file an AL to implement the rates adopted in that decision. SDG&E complied by filing AL 2577-E on February 18, 2014, and stated that it would implement the time-of-use and critical peak pricing rates for residential and non-residential customers on May 1, 2014.

¹ As noted earlier, SDG&E's Outreach and Education Plan for dynamic pricing was approved in AL 2466-E-B.

Then in a February 25, 2014 letter request pursuant to Rule 16.6, SDG&E requested that that the effective date of its residential dynamic pricing rates be extended from May 1, 2014, to January 1, 2015, and that the effective date for mandatory dynamic pricing for small non-residential customers be extended from November 2014 to November 2015.

SDG&E's letter request was granted on April 4, 2013 in a letter from the Commission's Executive Director. In the Executive Director's letter, SDG&E was instructed to file two ALs. The first AL, to be filed by December 31, 2014, is to request approval of optional residential time-of-day and critical peak pricing rates, with an effective date of January 1, 2015. The second AL is to request approval of mandatory time-of-day rates, along with default critical peak pricing rates, for small non-residential customers, with an effective date of November 1, 2015.

SDG&E contends that these new implementation dates will conflict with the timing of SDG&E's approved outreach and education plan, which is comprised of certain phases of information, and which follows the timeframe that was originally contemplated in D.12-12-002.

The second reason for SDG&E's request to modify D.12-12-004 is because the modification will "allow SDG&E to coordinate implementation efforts for residential dynamic pricing and any rate changes resulting from Phase 1 of the pending Residential Rate Reform Rulemaking 12-06-013 and avoid potentially conflicting and confusing outreach and education efforts." (Petition at 2.) SDG&E contends that R.12-06-013 is likely to "affect the type and timing of the outreach and education message for the time variant rates SDG&E will implement in 2014 and beyond." (Petition at 2.) In the April 15, 2014 third

amended scoping memo and ruling in R.12-06-013, the issuance of a Phase 1 proposed decision was pushed back to March 2015.²

SDG&E's Petition notes that its outreach and education activities had been planned or phased to coincide with the roll-out of dynamic pricing as originally contemplated in D.12-12-004. However, as a result of the delays in implementing dynamic pricing for the small non-residential customers and residential customers, an extension is needed in order to fund these outreach and education efforts beyond 2015. SDG&E requests that D.12-12-004 be modified in order to provide funding for these efforts in 2016. Such a modification will avoid unnecessary costs, inefficient customer outreach and education, overlapping or outdated outreach efforts, and allow SDG&E to coordinate and optimize such efforts with a final decision in the Residential Rate Reform Rulemaking, in R.12-06-013. Accordingly, SDG&E "requests that the Commission extend the date by which SDG&E may spend implementation costs collected in the DPBA to December 31, 2016." (Petition at 6.) SDG&E's Petition notes that it "is not requesting additional funding for outreach and education spending at this time and endeavors through this filing to avoid such a request by maximizing the use of its currently authorized DPBA funds." (Petition at 10.)

SDG&E's Petition is unopposed.

Due to the circumstances affecting the implementation of dynamic pricing for SDG&E's small non-residential customers and residential customers, as described above, it is necessary to modify D.12-12-004 in order to ensure that SDG&E has the funding in place to carry out the outreach and education activities that were authorized as a result of D.12-12-004. In addition, extending

² Phase 1 in R.12-06-013 addresses time variant pricing after 2014.

the implementation activities from the end of 2015 to the end of 2016 will result in a better matching of these outreach and education activities to the roll-out of dynamic pricing for these customers. Consistent with SDG&E's Petition, and OPs 13 and 17 of D.12-12-004, and subject to OP 15 of D.12-12-004, the total costs for the implementation of the dynamic pricing structure and the associated activities approved in D.12-12-004 shall not exceed \$92.7 million.³

To avoid unnecessary costs and to optimize the outreach and education activities authorized in D.12-12-004, that decision should be modified by adding the following sentence to the end of OP 11 of D.12-12-004: "San Diego Gas & Electric Company is authorized to carry out its final outreach and education plan through the end of 2016."

3. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is waived.

4. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner, and John S. Wong is the assigned Administrative Law Judge in this proceeding.

³ OPs 13 and 17 provide that SDG&E is allowed to recover its costs of up to \$92.7 million from its customers for the costs of implementing its dynamic pricing structure and associated activities approved in D.12-12-004. OP 15 provides that SDG&E "may request funding for operational costs related to dynamic pricing after 2015 in a future GRC, Demand Response Program and Budget cycle application, or another appropriate proceeding as directed by this Commission."

Findings of Fact

1. D.12-12-004 adopted a dynamic pricing structure for the residential and small commercial electricity customers of SDG&E.
2. Subject to OP 6 of D.12-12-004, that decision ordered SDG&E to implement optional time-of-day and critical peak pricing rates for its small non-residential and residential electric customers on November 1, 2013.
3. Subject to OP 6 of D.12-12-004, that decision ordered SDG&E to implement mandatory time-of-use rates, along with default critical peak pricing rates, for its small non-residential customers in November 2014.
4. OP 6 of D.12-12-004 provides that the specific rate design for both the residential and non-residential dynamic rate structures adopted in D.12-12-004 would be determined in the cost allocation and rate design phase of A.11-10-002.
5. The decision in SDG&E's A.11-10-002 was not issued until January 23, 2014 in D.14-01-002, which made it impossible for SDG&E to implement dynamic pricing for its residential customers by November 1, 2013.
6. D.12-12-004 authorized SDG&E to develop education and outreach plan, which was approved in AL 2466-E-B.
7. D.12-12-004 authorized SDG&E to establish its DPBA to cover the costs of implementing the dynamic pricing structure, including customer outreach and education efforts, through 2015, and to collect funding from its customers up to \$92.7 million.
8. SDG&E's Petition requests that D.12-12-004 be modified to extend its dynamic pricing implementation schedule to December 31, 2016.
9. With the issuance of D.14-01-002, SDG&E filed its AL on February 18, 2014 to implement the rates adopted in that decision on May 1, 2014.

10. In a February 25, 2014 letter, SDG&E requested that the effective date of its residential dynamic pricing rates be extended from May 1, 2014 to January 1, 2015, and that the effective date for mandatory dynamic pricing for small non-residential customers be extended from November 2014 to November 2015.

11. SDG&E's February 25, 2014 letter request was granted in the April 4, 2013 letter from the Executive Director.

12. A decision in Phase 1 of R.12-06-013, the Residential Rate Reform Ratemaking, is likely to affect the type and timing of the outreach and education for the time variant rates SDG&E will implement in 2014 and beyond.

13. In the April 15, 2014, third amended scoping memo and ruling in R.12-06-013, the issuance of a Phase 1 proposed decision was pushed back to March 2015.

14. SDG&E's outreach and education activities had been planned or phased to coincide with the roll-out of dynamic pricing as originally contemplated in D.12-12-004.

15. Extending the implementation activities authorized in D.12-12-004 from the end of 2015 to the end of 2016 will result in a better matching of the outreach and education activities to the roll-out of dynamic pricing for non-residential and residential customers.

16. SDG&E is not requesting additional funding for outreach and education spending in its Petition, and seeks to avoid such a request by maximizing the use of its currently authorized DPBA funds.

Conclusions of Law

1. Due to the circumstances affecting the implementation of dynamic pricing for SDG&E's small non-residential customer and residential customers, it is necessary to modify D.12-12-004 in order to ensure that SDG&E has the funding

in place to carry out the outreach and education activities that were authorized as a result of D.12-12-004.

2. Consistent with SDG&E's Petition, and OPs 13 and 17 of D.12-12-004, and subject to OP 15 of D.12-12-004, the total costs for the implementation of the dynamic pricing structure and the associated activities approved in D.12-12-004 shall not exceed \$92.7 million.

3. To avoid unnecessary costs and to optimize the outreach and education activities authorized in D.12-12-004, SDG&E's Petition to modify D.12-12-004 should be granted by adding a sentence to the end of OP 11 of D.12-12-004 which extends the final outreach and education plan activities through the end of 2016.

4. Since this is an uncontested matter in which the decision grants the relief requested, the comment period is waived.

O R D E R

IT IS ORDERED that:

1. The October 10, 2014 Petition for Modification of Decision 12-12-004 that was filed by San Diego Gas & Electric Company is granted as described in this decision, and as set forth in Ordering Paragraph 2 below.

2. Decision (D.) 12-12-004 is modified by adding the following sentence to the end of Ordering Paragraph (OP) 11 of D.12-12-004: "San Diego Gas & Electric Company is authorized to carry out its final outreach and education plan through the end of 2016." Thus, as modified, OP 11 of D.12-12-004 shall read in its entirety as follows:

- San Diego Gas & Electric Company shall file a Tier 2 advice letter containing its final outreach and education plan after its first quarterly meeting but within 90 days after the issuance of this decision. San Diego Gas & Electric

Company may begin its outreach efforts before filing its final plan via advice letter, but the company shall ensure that all education and outreach activities undertaken after its final plan is filed are consistent with the provisions of its plan. San Diego Gas & Electric Company is authorized to carry out its final outreach and education plan through the end of 2016.

3. This proceeding is closed.

This order is effective today.

Dated _____, at San Francisco, California.